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DIA and DOS review(s) completed.

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GENERAL

1. London embassy comments on British Southeast Asia policy:

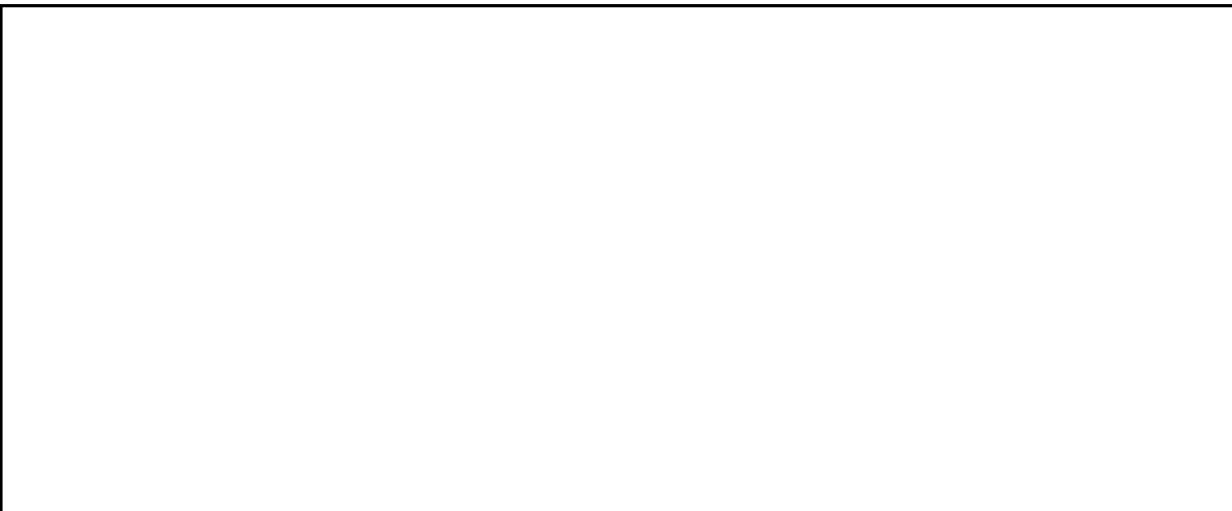
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Britain's recent demarche objecting to a proposed American military mission to Cambodia was motivated by a desire to avoid serious differences at the forthcoming Manila conference on Southeast Asia defense, in the opinion of the American embassy in London.

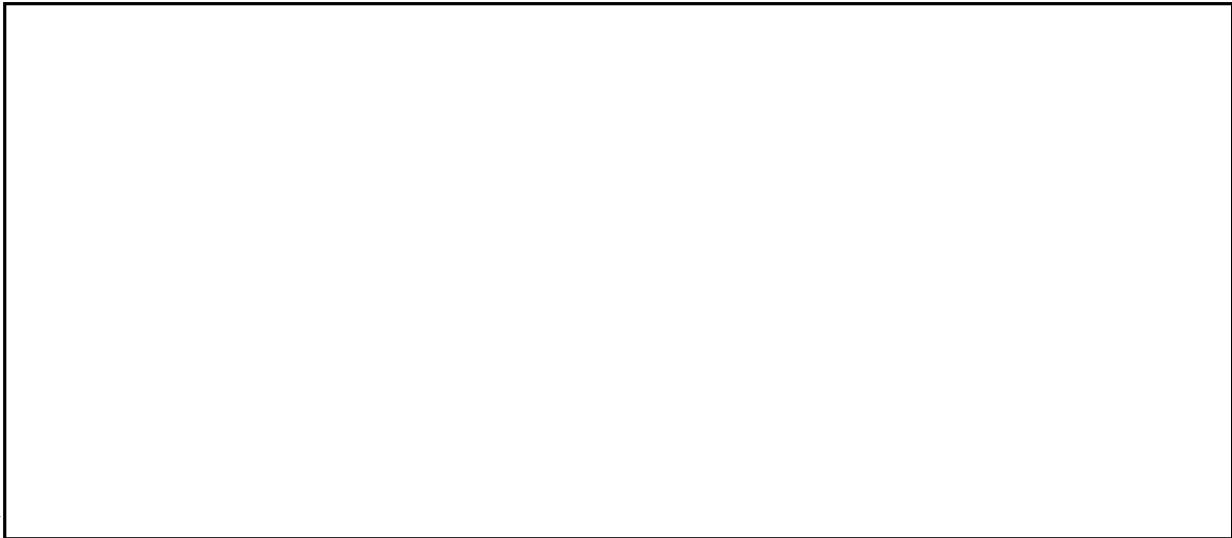
The British apparently consider such a mission would violate the spirit of the Geneva agreements, which they believe put both Cambodia and Laos in the same "political category" with regard to outside military aid, and would provoke a strong reaction from Communist China.

Comment: There have been various indications that London considers the Geneva conference resulted in an understanding with the Communists for the neutralization of Cambodia and Laos. In the interest of securing a lessening of tension in the Far East, Britain opposes any Western move that the Chinese Communists might regard as provocative.

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#### SOUTHEAST ASIA

3. Vietnamese foreign minister pessimistic on premier's chances of staying in office:

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Vietnamese foreign minister Tran Van Do, who is a loyal supporter of Premier Diem, told Ambassador Heath on 28 August he believed Diem would soon be out of office unless he could be persuaded to accept a position as a figurehead and let key cabinet ministers work out their own deals with opposition groups.

The foreign minister characterized Diem as an "austere saint," incapable of inspiring the personal devotion of other than idealists, and saw little hope of his winning the support of the war lord groups in south Vietnam. Diem failed to act on certain demands of these groups for cabinet positions and they, in the meantime, joined together to oppose him.

Comment: Tran Van Do's observations are the first expression of real pessimism by a member of Diem's government.

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The premier lacks any political organization comparable in strength to that of the combined opposition groups. Without being able to depend on the Vietnam army and in the face of French opposition, Diem's position is precarious.

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NEAR EAST - AFRICA

5. Iran intensifies suppression of opposition:

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The current roundup of Tudeh members is continuing at a spectacular rate, according to the American army attaché in Tehran. He reports that recent arrests include officers in the army, police, and gendarmerie as well as civilians. Many individuals arrested occupied sensitive positions and over 200 arrests are expected.

The attaché comments that the government is acting with energy and efficiency in spite of inadequate machinery for such an operation and that a large well-organized Tudeh network of officers in the three services is being broken.

Comment: This wave of arrests appears to be a sudden intensification of Prime Minister Zahedi's program of Communist suppression. Although Iranian officials are inclined to publicize the current campaign as routine, it may be intended to forestall the expected development of strong anti-Zahedi movements soon after submission of the oil settlement to the Majlis in mid-September.

The arrests have been accompanied by a widespread shuffling of high-level military personnel not accused of Tudeh affiliations. Under the cover of this new anti-Tudeh campaign, the government can also attack various non-Communist factions and individuals antagonistic to the regime.

6. Israeli opposition growing to American policies in Middle East:

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American chargé Russell believes that Israeli ambassador Eban, currently on leave from Washington to report his recent talks with Secretary Dulles, may be supporting Minister of Defense Lavon and those others in the Israeli government who strongly oppose American policies in the Middle East.

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Russell stated that Eban was issuing strong statements critical of the United States to the local and foreign press. Russell also noted that Finance Minister Eshkol and Chief of Staff Dayan had a closed three-hour meeting with former premier Ben-Gurion on 28 August.

Comment: The Suez settlement has resulted in a reappraisal by Israel of its position and in an increased desire for more military aid. If Eban and Eshkol, two moderate and influential government officials, join forces with Ben-Gurion, Lavon, and Dayan, long advocates of a tougher foreign policy, a hardening of Israel's position with regard to the United States might be developing.

7. Egypt decides not to request American military aid:

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Foreign Minister Fawzi told Ambassador Caffery on 28 August that Egypt had decided not to request American military aid at this time. The decision, Fawzi said, was based solely on internal political considerations. He stated that the Nasr regime feared public reaction to the signing of the necessary Mutual Defense Assistance agreement.

Fawzi urged that the amount of economic assistance to Egypt be increased since it was not requesting military aid.

Comment: London's announcement on 30 August that its embargo on arms shipments to Egypt was lifted suggests that Cairo's unexpected decision on American military aid may have been influenced by the availability of British arms. Egypt's decision reflects the Nasr regime's current concern over extremist opposition to any overt association with the West.

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WESTERN EUROPE

8. Adenauer to seek German NATO membership:

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As a result of EDC's defeat in the French National Assembly, Chancellor Adenauer Now favors outright admission of West Germany to NATO, according to Herbert

Blankenhorn, a top official of the Bonn Foreign Ministry. Blankenhorn states that in a meeting of coalition leaders on 1 September, the chancellor will outline his new foreign program.

In addition to NATO membership, the chancellor wants full sovereignty, the conclusion of a convention for stationing foreign troops in the Federal Republic, and European political integration without immediate military integration.

Comment: The American embassy in Paris foresees no major difficulties from France in putting the Bonn treaty into effect. Adenauer's reported plan suggests, however, that he is thinking of securing a larger grant of sovereignty for the Federal Republic than accorded in the Bonn treaty.

The French press persistently emphasizes the need of safeguards against German rearmament, and Mendes-France's recent tactics suggest that he favors continued delay. According to Ambassador Dillon, the impression is stronger than ever in Paris that the premier has received British assurances that unrestricted German rearmament can be avoided.